

Prince Edward Island Business Development Inc.

Annual Report 2008—2009

Prince Edward Island
Business Development
Inc.


Atlantic Technology
Centre

PEI Food Technology
Centre





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Message from the CEO

Hon. Allan V. Campbell
Minister of Innovation and Advanced Learning
PO Box 2000
Charlottetown, PE
C1A 7N8

Dear Minister Campbell,

I respectfully submit the PEI Business Development Inc. Annual Report for the fiscal year ending March 31, 2009.

As the lead economic development agency in Prince Edward Island, PEI Business Development is committed to expanding economic and employment opportunities across the province. During the 2008-2009 fiscal year, the agency has continued to partner with industry by investing strategic sectors that are leading to a stronger economy for Islanders.

In spite of a significant downturn in the global economy, Prince Edward Island has maintained its reputation as prime location to do business. Our province offers a dedicated and highly skilled workforce, a business friendly environment as well as infrastructure that is helping companies compete on an international stage.

In closing, I wish to thank the employees of PEI Business Development for their hard work and dedication. Our organization will continue to work with the partner with industry in an effort to helping clients pursue their goals while creating jobs and economic opportunities for all Islanders.

Sincerely,



Neil Stewart
Chief Executive Officer
Prince Edward Island Business Development Inc.



Board of Directors

Prince Edward Island Business Development Inc

PEI Business Development Inc.

- Brooke MacMillan, Deputy Minister (Chair)
- Hon. Richard Brown, Minister (Vice-Chair)
- Paul Jelley, Director
- Charlie Cooke, Director
- Dale Larkin, Director
- Terry McKenna, Director
- Allan Smith, Secretary/Treasurer

Business Development

Prince Edward Island Business Development Inc

BUSINESS DEVELOPMENT

The Business Development Division, formerly known as Client Services, is responsible for the coordination and delivery of information and assistance to new and existing local businesses in Prince Edward Island. The group provides counseling, financial assistance, business guidance, entrepreneur education and management development to assist businesses with start up, expansion and diversification of business that supports the long term viability of Island companies.

Supporting small business continues to be a high priority within PEI Business Development. Small and mid-sized enterprises (SMEs) make up the bulk of business establishments on Prince Edward Island. Ninety seven percent are classified as a small business employing less than 50 people. The SME sector is PEI's main employer. One-third of employed Islanders (or 21,000) have a job in a firm with fewer than 50 employees, while 25% work for mid-sized businesses employing between 50 and 499 workers.

The agency supports small business and encourages entrepreneurship through cost shared financial assistance for capital acquisitions, market development, technology, training and innovation.

The division delivers a series of incentive programs targeted at a variety of industry sectors. Nearly 300 projects were directly assisted under a variety of small business support programs at PEIBD during 2008-2009 fiscal year resulting in an investment of \$ 4,311,545.



Highlights

- PEI Business Development staff act as a primary contact for Islanders seeking business information, financing mentoring or counseling
- 352 projects directly assisted to small business in last fiscal year resulting in investment of \$8 million into Island companies
- 49 projects approved under progressive tax programs resulting in investment in excess of \$8.4 million.
- 691 small business owners/managers participated in 55 training workshops in 9 communities across PEI under the Profit Learn Program
- Assisted Island companies with the creation of approximately 125 jobs planned
- As part of our Out Reach Program, staff attended approximately 245 events coordinated by various business events such as the Chamber of Commerce, Job Fairs, Council Meetings, Rotary Club, and Junior Achievement, to name a few
- Staff hosted approximately 4,000 face to face meetings during the 2008 - 2009 fiscal year. Staff also estimate an additional 5,000 plus phone calls and countless e-mail correspondence with Islanders seeking information and guidance regarding small business development.

Business Development

Prince Edward Island Business Development Inc.

Trade and Marketing

The mandate of the Trade division is to increase revenues generated from export sales and to assist Prince Edward Island companies in becoming export ready.

The division provides training, support for market-entry activities and market-specific information. It also represents the Province on management committees for regional agreements such as the International Business Development Agreement and the Atlantic Canada Food Export Partnership.

Trade Missions

The division leads a number of trade missions each year. These missions provide a cost-effective method for companies to gather information on logistics and competition. They also provide participants with face-to-face meetings with pre-screened prospective partners in the target geographic areas.

It is critical for Island that they are seen to be at these events to enable them to market goods and services.

Team Canada Atlantic Missions

Team Canada Atlantic is a partnership that includes the Atlantic Canada Opportunities Agency, Agriculture and Agri-Food Canada, Industry Canada, Foreign Affairs and International Trade Canada as well as the four Atlantic Provinces. Team Canada Atlantic organizes trade missions to the United States.

Since 1999, approximately 400 companies have participated in Team Canada Atlantic Trade Missions.

Trade Team PEI Missions

Trade Team PEI Missions involve a network of provincial and federal departments and agencies with responsibilities for trade development in Prince Edward Island. In this fiscal year, delegates have traveled to China, South America, New England, South East USA, Ireland and the Eastern Caribbean.

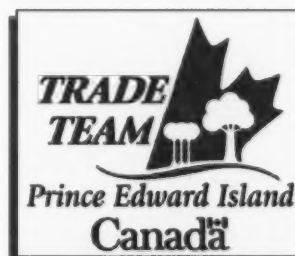
PEI Business Development Inc. Missions

The Agency leads missions to domestic markets. Such as Edmonton and Calgary.

Marketing Counseling and Support

This division provides counseling support to Prince Edward Island small businesses in the areas of market planning, promotional tool development, sales distribution contacts and new product development.

The Division works with companies on projects ranging from individualized training on export security to competitive intelligence to market entry. This support leads to increased sales for Island companies as they explore export opportunities in new markets.



Business Development

Prince Edward Island Business Development Inc.

Small Business Week

PEI Business Development Inc. continues to partner with business organizations and Chambers of Commerce across the province. This division offered assistance in organizing various events, activities and workshops across the province to pay tribute to small businesses. Small and medium sized enterprises continue to form the backbone of the provincial economy and are the most consistent source of job creation.

International Boston Seafood Show

Once again this year, several Prince Edward Island based processors exhibited and attended the International Boston Seafood Show. Prince Edward Island was the lead on this international festival, held February 24–26, 2008, in Boston which was attended by the four Atlantic Provinces.

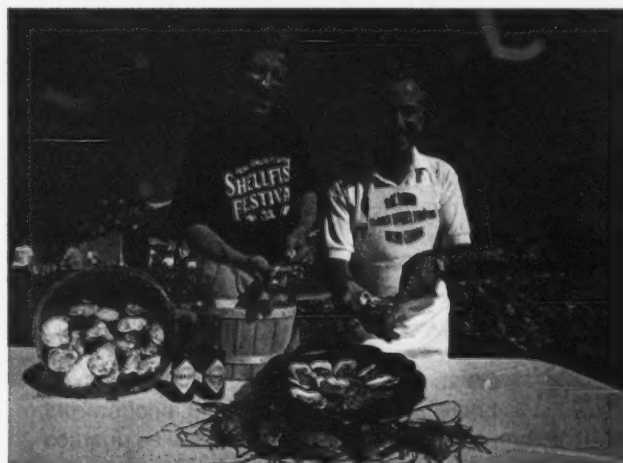
By participating in trade shows such as the International Boston Seafood Show, Island companies are able to gather information and establish contacts in international markets.

Canadian International Food and Beverage Show

PEI Business Development Inc. participated in the provincial booth at the Canadian International Food and Beverage Show between March 20, 2008, at Toronto's International Centre. Several PEI processors joined nearly 300 exhibitors and buyers from around the world. It continues to be an International showcase for food and beverage products in the food service and retail grocery markets and attracts 10,000 people.

European Seafood Exposition

PEI Business Development coordinated the provincial booth as Island companies attended the show in Brussels, Belgium.



Business Development

LaunchPad

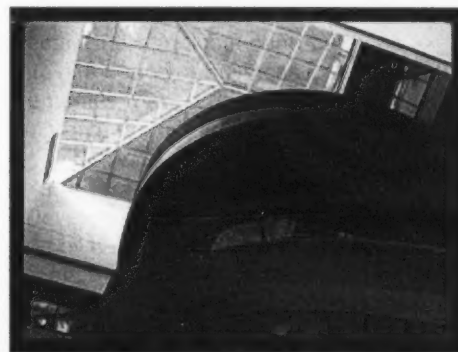
PEI Business Development continues to support new business opportunities. The LaunchPad program is one particularly innovative approach to developing emerging technologies into viable businesses. It is a business incubation system that provides new and emerging information technology firms with access to the resources they need to grow and attain long-term success within an environment that fosters information technology development, commercialization and successful business management practices.

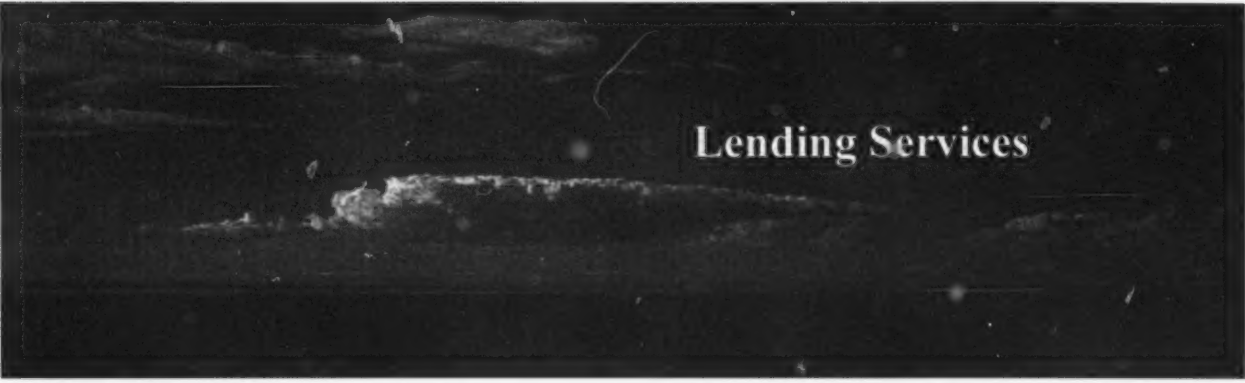
The Business Development division has successfully created incubators for technology companies at the Atlantic Technology Centre in Charlottetown and the Holman Building in Summerside. A third LaunchPad facility is also available for student entrepreneurs at Holland College in Charlottetown.

Strategic Partnerships

Client Services endeavours to work with groups and organizations representing the private sector small business community in order to ensure our investment results in maximum outcomes and wealth creation.

- **Studio Tour** Approximately 50 Island artisans participated in the annual Studio Tour in September by opening up their studios to visitors. Prince Edward Island's craft and giftware sector contributes to a rich culture across the province.
- **Excellence in Manufacturing** This is a consortium of approximately 15 Island companies that is dedicated to continuous productivity improvement by sharing with one another their ideas, experiences and resources.
- **UPEI Centre for Life long Learning** PEI Business Development has partnered with this organization and ACOA to provide ongoing business skills training including ProfitLearn PEI which assisted 762 individuals this past year
- **Central Development Corporation** PEI Business Development developed the partnership with this economic development organization, ACOA and small businesses to address the needs of growing companies that require high level financial advice (Chartered Accountant) on an ongoing basis. The CFO (Chief Financial Officer) project is a pilot project presently with three companies sharing the employee.
- **Chambers of Commerce** PEI Business Development partners with Chambers to deliver many projects. One significant contribution is sponsorship of a series of Business Excellence Award ceremonies that recognize the accomplishments of our leading businesses
- **Innovation and Technology Association of PEI** PEI Business Development continues to work with this organization by helping with its rejuvenation plan, project management training and an ongoing Tech Talk series aimed at keeping its members abreast of current trends.





Lending Services

LENDING SERVICES

The Lending Services division provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses to create, maintain or expand business opportunities that will result in wealth and job creation for the Province.

Lending and investment activities are focused on manufacturers, processors and service providers in the Corporation's priority development sectors, with emphasis on businesses involved in exporting to domestic and international markets, import replacement and value-added processing.

As a developmental lender, the division seeks innovative and generally higher risk projects than conventional lenders. By utilizing a non-formula approach to lending, the division strives to maximize development opportunities for the province while balancing financial risk of the project with the projected economic return.

The division prides itself in providing clients with innovative financial solutions that generally involve multiple stakeholders, including conventional lenders and other business development agencies. This is achieved by using a variety of financial products, such as demand loans, revolving lines of credit, term loans, equity investments and loan guarantees to meet the client's specific financing needs.

As a complementary lender to that of conventional lenders, the Division plays an unique and important role in the lending marketplace. By developing partnerships with conventional lenders and other business development agencies, the Division assists its clients to leverage additional financing and other resources required to enable the projects to proceed.

Also, as part of its non-conventional approach to commercial lending, the Division can act as a financial

intermediary, utilizing staff expertise in banking and accounting to assist clients to assemble financial packages for their projects with other lenders and government agencies.

Highlights

- Provides financing, strategic investments and loan guarantees in support of Prince Edward Island businesses. In fiscal 2009, the portfolio totaled \$32 million outstanding to a total of 81 client accounts.
- Manages the loan portfolio of Island Investment Development Inc. (IIDI), a separate Crown Corporation. IIDI invests federal immigrant funds through low interest term financing to Prince Edward Island businesses where there will be significant economic benefit to the Province. During the fiscal year, IIDI's loan portfolio exhibited strong growth, increasing by 40% to \$89 million outstanding and the number of client accounts increasing by 30% to 69 in comparison to fiscal 2008.
- Manages the Entrepreneur Loan Program, which serves the needs of the micro loan market by guaranteeing term loans to finance small business start-ups and expansion opportunities for up to \$50,000. This program has 41 loan guarantee accounts with \$725,000 under management.
- Manages the Winter Production Financing Program, which provides loans to new and expanding craft and giftware manufacturers to increase product inventory during the winter months to meet peak sales periods. The portfolio has 26 client accounts totaling \$188,000.

Prospecting & Innovation Programs

Prince Edward Island Business Development Inc.

PROSPECTING & INNOVATION PROGRAMS

The Prospecting & Innovation Programs Division is committed to attracting outside investment to establish business operations in Prince Edward Island.

The Division continues to generate business leads, attracting new investment and creating employment opportunities in growing and innovative sectors.

Prince Edward Island continues to experience steady growth in aerospace, bioscience, food processing, financial services, manufacturing, information technology and renewable energy.

The province continues to be one of the lowest cost business location in the G8 according to 2008 KPMG study.

The division has played a role in coordinating four new strategic infrastructure projects in recent years, including the completion of a nearshore development centre in Stratford, Prince Edward Island (CGI); the development of a financial services centre in Charlottetown (Invesco); and the development of an IT centre in Summerside (Holman Building).

The estimated development cost of the projects is more than \$19 million in new construction.

The Division will continue to focus on creating new investment opportunities for Prince Edward Island.



Invest PEI

The Prospecting Division strives to increase the awareness of Prince Edward Island as an investment location. One unique way to achieve this goal is through a partnership with the Government Of Canada and various economic development organizations. The Team will provide a "one-stop-shop" service for your business needs as you consider Prince Edward Island as an ideal business location.

PROSPECTING & INNOVATION PROGRAMS

Prince Edward Island Business Development Inc.

The division is also playing a key role in developing plans to construct a new PEI BioCommons Research Park as outlined in the economic and innovation strategy, *Island Prosperity: A Focus For Change*.

The BioCommons represents the major piece of strategic infrastructure that will support the next generation growth of the bioscience cluster in Prince Edward Island.

Key objectives of the BioCommons Research Park include:

- Creation of a National Center of Excellence in Natural Product Development and Commercialization.
- Accelerate new product development through technology platforms, equipment, commercialization services, and increased collaboration.
- Attract new investment to the P.E.I. bioscience cluster along with the associated jobs.
- A significant amount of planning has taken place and is ongoing to maximize the benefit from this major investment into the future growth of the PEI bioscience sector.



New Innovation Programs Launched

The Island Prosperity Strategy outlined a series of new innovation focused programs that will be delivered through PEI Business Development and Innovation PEI. These programs are aimed at developing strategic sectors such as bioscience (including primary sectors), aerospace, information technology, and renewable energy.

Pilot Fund — aimed at providing up to \$25,000 in a non-repayable contribution to support the testing of new innovative product ideas with commercialization potential.

Industry Research Chair Program — bringing together business and world class researchers to conduct research and provide mid and long term benefits to the Island economy. Successful proposals will receive a non-payable contribution of up to \$200,000 per year for the five-year term.

Discovery & Development fund — supporting early stage discovery and development activities for innovative product ideas with strong commercialization potential. Successful applicants will receive up to \$100,000.

Premier's Medal for Innovation — offered each year to one researcher in the public or private sector who has demonstrated excellence in his/her field and created significant economic activity. The recipient will receive up to \$200,000 in operating funding over a two year period for innovation based research with commercialization potential.

Strategic Initiatives & Properties

Prince Edward Island Business Development Inc.

Strategic Initiatives & Properties

The Strategic Initiatives and Properties Division is responsible for all real estate assets held by Prince Edward Island Business Development Inc.

The portfolio includes all properties and business parks as well as the agency's corporate offices located at 94 Euston Street in Charlottetown. The division also owns and manages the Atlantic Technology Centre and Food Technology Centre.

PEI Business Parks

Prince Edward Island has established a network of business parks that offer new and expanding businesses a comprehensive range of site locations and district competitive advantages.

This portfolio includes rental properties and vacant land at business parks across Prince Edward Island.

- Borden-Carleton Business Park
- Charlottetown Airport Authority
- Cornwall Business Park
- Gateway Village
- Kensington Industrial Park
- Kinkora Area Business Centre
- Pooles Corner Business Park
- Souris Food Park
- Strait Crossing Fabrication Yard
- Stratford Business Park
- Summerside Business Park
- West Prince Business Park
- West Royalty Business Park

Land is also available for development purposes at the Confederation Bridge Fabrication Yard in Borden-Carleton.

PEI BioCommons Research Park

Planning stages are underway for the development of the Prince Edward Island BioCommons Research Park. This is a key element in the Government of Prince Edward Island's innovation and economic development strategy, Island Prosperity Strategy: A Focus For Change.

Building on the success of Prince Edward Island's bioscience sector, the BioCommons will become a platform for companies and research institutions to accelerate economic prosperity by investing in research and development.

The Strategic Initiatives and Properties Division will work with industry and other government departments to construct the infrastructure and facilities necessary develop a centre of excellence in natural product development.



Environnemental Industrial Services Inc. (EISI)

EISI is responsible for operating and maintaining water supply and waste water treatment facilities for government owned utilities. The organization also provides professional technical services for all properties owned by PEI Business Development and the Department of Innovation and Advanced Learning.

Strategic Initiatives & Properties

Prince Edward Island Business Development Inc.

Atlantic Technology Centre (ATC)

The Atlantic Technology is a multi-use, multi-tenant facility that is focused on creating a professional services environment for private and public sector tenants.

By acting as a foundation for economic development and job creation, ATC offers corporate office space, communications and technology infrastructure in addition to meeting rooms and training facilities.

The ATC entered its sixth year of operation in September, 2008.



ATLANTIC
TECHNOLOGY
CENTRE

Services and Amenities

ATC is equipped with the technology necessary for full connectivity within a prosperous business environment.

Clients have access to meeting rooms of various sizes and technical fit-up: a 24 seat computer Training Lab, a fortune 100 Conference Suite, a 50 seat interactive Theater set-up as a multi-media/interactive / presentation theater.

Tenants have access to first class infrastructure and facilities for a wide variety of events such as press conferences, seminars and even large scale information sessions.

Special Purpose meeting facilities offer clients an alternative to typical meeting location.

The training lab and meeting rooms at the ATC are regularly used by a wide variety of private and public sector organizations. These facilities provide a professional and convenient setting for conferences, information sessions and training seminars.

Video conferencing is available for one-on-one job interviews or large group information sessions.

The ATC Data Centre, the only co-location facility of its kind in the province is located in the lower level. It offers 2500 square feet of secure climate controlled space. The Data Centre houses a mix of both on-Island and off-Island clients.

The ATC Community Access Program (CAP) officially opened in September, 2004. The CAP Site provides internet access to the general public via six computer terminals on the lower level of the building. CAP Site staff offer year-round public training courses, as well as children's computer camps throughout the summer and occasionally during Christmas and March breaks. On average, there are approximately 1,800 visitors per month.



Food Technology Centre

Prince Edward Island Business Development Inc.

FOOD TECHNOLOGY CENTRE (FTC)

The Food Technology Centre provides innovation and technical support for food and bioresource processors. All of the work done at the Centre is as project contracts or service contracts for industry.

The Centre completed 35 project contracts in fiscal year 2008-2009. There were 50 signed project contracts in progress at the end of the fiscal year and there were another 40 project contracts proposed or developing at year-end.

These project contracts and service contracts earned revenue to supplement the operating grant provided by the Province of Prince Edward Island.

Microbiology and Food Safety Services

In response to the Maple Leaf Foods listeriosis outbreak of the fall of 2008, the Prince Edward Island Food Technology Centre partnered with the Atlantic Food and Beverage Processors Association and with the PEI Seafood Processors Association to present a series of industry training workshops aimed at preventing the occurrence of *Listeria* in food products. A total of seventeen workshops were organized in PEI and throughout Atlantic Canada.

The workshops helped food processing facilities establish and implement effective programs to reduce and prevent *Listeria monocytogenes* contamination of food products. FTC has for many years worked with food processors in Prince Edward Island to ensure *Listeria* is kept out of food products. FTC offers a range of food safety workshops and customized workshops in processing plants. The food safety workshops that have been offered to processors have been focused recently on eliminating *Listeria* from food products.

The FTC microbiology laboratory has experienced an increased demand for *Listeria* analysis services due to the listeriosis outbreak. There has also been an increasing demand for safety analysis on value-added food products for international shipment. These have resulted in record numbers of samples analyzed by the microbiology laboratory since last fall. FTC also provides in-plant environmental testing of surfaces and equipment.

Since November 2006, FTC has been distributing a monthly e-newsletter to more than 2,000 clients and key contacts as well as to selected Government contacts to promote its activities and as a marketing tool.

Successful CIFST/AAFC Conference attracts 250 delegates

The 2008 CIFST/AAFC Conference, held May 25-27 in Charlottetown, was attended by 270 delegates mostly from Canada and including delegates from the USA, Europe and other countries (see cifst.ca).

The photo shows a group of 29 conference delegates from various companies, universities/colleges and governments visiting the Food Technology Centre.

The Canadian Institute of Food Science & Technology/ Agriculture & Agri-Food Canada conference had a "green" theme and explored emerging environmental and health issues related to food and food production systems. It was also run as a "green" meeting to minimize impact on the environment.



PRINCE EDWARD ISLAND
FOOD TECHNOLOGY CENTRE
CENTRE DE TECHNOLOGIE ALIMENTAIRE
DE L'ÎLE-DU-PRINCE-ÉDOUARD

Food Technology Centre

Prince Edward Island Business Development Inc. and Technology PEI

Client Profile Charlottetown Metal Products



www.cmpequipment.com

Charlottetown Metal Products has developed a patented continuous flow high pressure cooker/processor which has been tested in the Food Technology Centre's pilot facilities.

CMP has revolutionized cooker design by providing reliable processing control, continuous product flow and maximum energy efficiency. The system can be operated under completely controlled pressure/temperature conditions. This is highly desired as biological materials are sensitive to processing temperatures. Controllability in the processor allows operators to process under the most favourable conditions for the targeted materials.

The continuous cooking system increases productivity and is more energy efficient. Downtime due to loading and unloading is reduced and the cooling and heating of the processor itself is not necessary.

Preliminary work at FTC has demonstrated that the CMP continuous system is perfectly suitable for various materials, especially for sensitive and high value materials such as seafood and vegetables. The work has also pointed out benefits for additional energy savings under various operating conditions. CMP is currently testing the system for interested buyers in targeted markets and products processing.

Client Profile Nautilus Biosciences Canada



<http://nautilusbiosci.com>

Nautilus Biosciences Canada focuses on the discovery and development of novel therapeutic agents derived from marine organisms. It has an exclusive license to patented technology leading to extraction of compounds from marine organisms. These valuable compounds have an established market in cosmetics and a potential market as pharmaceuticals.

The Food Technology Centre has been contracted to develop technologies for isolation and purification of active cosmeceutical ingredients from coral. The main objective of the work is to develop a technology for large scale production from a Caribbean soft coral species. The active agents are natural products which possess potent anti-inflammatory and analgesic (pain relief) properties.

They appear to work by inhibiting the synthesis of eicosanoids (locally functioning hormone-like substances) in polymorphonuclear leukocytes (a type of white blood cell).

The extreme selectivity with which these natural products target their activity is intriguing to researchers. They appear to be pharmacologically distinct from other non-steroidal anti-inflammatory drugs (NSAIDs) and their mechanism of action appears to be novel as well. These are currently in use as commercial skin cream additives and are in clinical development for medical applications.

Food Technology Centre

Prince Edward Island Business Development Inc.

Natural Products Extraction Technology

An Atlantic Innovation Fund project on Natural Products Extraction Technology progressed throughout the year. This project will receive \$4.9 M over its duration from ACOA. A number of applied research sub-projects for companies like Functional Technologies Corp., Phycobiologics and OvoPharm were completed and others are on-going. Extraction, fermentation, and purification expertise is being developed and the private sector clients will benefit from practical technologies being transferred to their organizations during the course of the project.

BioPotato Network

FTC signed an Agriculture Bioproducts Innovation Program (ABIP) Network Agreement for the BioPotato Network, including AAFC, BioAtlantech, Dalhousie University, FTC, Holland College, McMaster University, NRC-INH, the Universities of Guelph, New Brunswick, PEI and Toronto. The parties wish to carry out a work plan under which the research is divided into four separate research streams, namely: Functional food and nutraceuticals; Low glycemic index and high dietary fiber potato; New potato starch for functional food, bioplastic and pharmaceutical use; and Biopesticides and botanical insecticides for insect control.



Accreditations

FTC is a registered ISO 9001:2000 company (since 1997), has Standards Council of Canada Accreditation for the laboratories, is a Registered Food Processing Plant with the Canadian Food Inspection Agency and is a Certified Organic Processor. FTC is recognized as a HACCP Training Centre of Excellence by the SQF Institute in their registry of HACCP providers.

FTC has a Health Canada Establishment License which allows analytical testing of pharmaceuticals.

Funding Agreements

FTC has a Network Member Agreement with the National Research Council IRAP Program. This enables FTC to promote innovation and the innovation-related services of the Centre.

FTC has a funding agreement with Canadian Dairy Commission (CDC) which allows food processors who use milk ingredients to access two funding programs. The programs give processors an opportunity for consultation and development work at the Centre.



**Prince Edward Island Business
Development Inc.**

Consolidated Financial Statements
March 31, 2009



ArsenaultBestCameronEllis
CHARTERED ACCOUNTANTS

A Member Firm of The AC Group of Independent Accounting Firms Limited

Chartered Accountants &
Business Advisors
Prince Edward Place
80 Water Street
PO Box 455
Charlottetown, Prince Edward Island
Canada C1A 7L1
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May 15, 2009

Auditors' Report

To the Minister of Development and Technology

We have audited the consolidated balance sheet of **Prince Edward Island Business Development Inc.** as at March 31, 2009 and the consolidated statements of earnings, retained earnings and contributed surplus and cash flows for the year then ended. These consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles, using differential reporting options available to non-publicly accountable enterprises, as described in note 2(b) to the financial statements. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

ArsenaultBestCameronEllis

Chartered Accountants

Prince Edward Island Business Development Inc.

Consolidated Balance Sheet

As at March 31, 2009

	2009 \$	2008 \$
Assets		
Current assets		
Cash and short-term investments (note 13)	5,267,637	9,696,836
Accounts receivable (notes 3 and 17)	3,295,903	2,468,190
Prepaid expenses	19,247	27,179
Current portion of loans receivable	5,348,653	18,347,936
Current portion of net investment in leases	-	29,916
	13,931,440	30,570,057
Due from the Province of Prince Edward Island (note 4)	26,058,245	23,723,974
Loans receivable, less current portion (note 5)	14,677,487	22,237,999
Investment in private companies (note 6)	1,221,528	1,560,806
Property holdings (note 7)	11,408,099	11,195,700
Property and equipment (notes 8 and 17)	16,567,341	20,244,553
Net investment in leases, less current portion (note 9)	742,030	1,233,535
	84,606,170	110,766,624
Liabilities		
Current liabilities		
Bank advances	186,211	62,422
Short-term notes payable (note 10)	6,998,621	15,000,000
Accounts payable and accrued liabilities (notes 14 and 17)	26,748,076	26,296,459
Provision for payment of guarantees (note 14)	14,784,661	17,052,233
Deferred revenue	277,253	92,497
Current portion of long-term debt	4,272,621	15,399,701
	53,267,443	73,903,312
Long-term debt, less current portion (note 11)	21,058,429	25,035,126
Deferred credits (notes 12 and 17)	8,057,625	9,861,644
Capital fund (note 13)	1,624,537	250,730
	84,008,034	109,050,812
Contingent liabilities (note 14)		
Equity		
Retained earnings	232,097	175,775
Contributed surplus (note 17)	366,039	1,540,037
	598,136	1,715,812
	84,606,170	110,766,624

Approved by the Board of Directors

Director

Director

Prince Edward Island Business Development Inc.
Consolidated Statement of Retained Earnings and Contributed Surplus
For the year ended March 31, 2009

	2009	2008
	\$	\$
Retained earnings - Beginning of year	175,775	58,550
Excess revenue for the year	56,322	117,225
Retained earnings - End of year	<u>232,097</u>	<u>175,775</u>
Contributed surplus - Beginning of year	1,540,037	1,540,037
Transfer due to wind-up of company (note 17)	(1,173,998)	-
Contributed surplus - End of year	<u>366,039</u>	<u>1,540,037</u>

Prince Edward Island Business Development Inc.

Consolidated Statement of Earnings

For the year ended March 31, 2009

	2009 \$	2008 \$
Revenue (note 17)		
Grant - Province of Prince Edward Island	28,773,200	37,862,300
Investment income (note 17)	1,257,991	94,778
Interest on loans receivable	2,022,033	2,474,923
Guarantee fees	900	104,257
Property operations	3,983,782	4,330,919
Grants from related company	1,400,000	-
Project revenues	1,355,089	1,185,834
	<u>38,792,995</u>	<u>46,053,011</u>
Expenditures (note 17)		
Operating	6,056,034	5,930,757
Property operations	3,703,397	4,601,139
Development programs	19,311,688	25,750,618
Allowance for credit losses and guarantee payments (note 4)	3,837,997	6,725,071
Investment operations	1,258,093	1,157,778
Project costs	649,340	667,292
Write-down of property and equipment	3,000,000	-
Amortization - property holdings, property and equipment and deferred costs	1,830,529	2,752,858
Amortization - deferred credits	(910,405)	(1,461,618)
	<u>38,736,673</u>	<u>46,123,895</u>
	56,322	(70,884)
Other revenue		
Gain on disposal of property and equipment	-	188,109
Excess revenue for the year	<u>56,322</u>	<u>117,225</u>

Prince Edward Island Business Development Inc.

Consolidated Statement of Cash Flows

For the year ended March 31, 2009

	2009 \$	2008 \$
Cash provided by (used in)		
Operating activities		
Excess revenue for the year	56,322	117,225
Items not affecting cash		
Amortization - deferred credits	(910,405)	(1,457,852)
Amortization - property holdings and property and equipment	1,830,529	2,749,092
Amortization - net investment in lease	(43,000)	(43,000)
Writedown of property and equipment	3,000,000	-
Gain on disposal of property and equipment	-	(188,109)
Increase in due from the Province of Prince Edward Island - allowance for possible losses	(3,837,997)	(6,725,071)
Decrease in due from the Province of Prince Edward Island - write offs	1,343,185	-
	1,438,634	(5,547,715)
Net change in non-cash working capital items		
Increase in accounts receivable - net	(827,713)	(838,634)
Decrease (increase) in prepaid expenses	7,932	(13,725)
Decrease in inventory	-	58,078
Increase in accounts payable and accrued liabilities	451,617	8,633,447
Increase (decrease) in provision of payment for guarantees	(2,267,572)	5,251,315
Increase (decrease) in deferred revenue	184,756	(33,862)
	(1,012,346)	7,508,904
Financing activities		
Decrease in due from Province of P.E.I. - current operations	160,543	2,572,635
Decrease in deferred credits - net	(893,614)	(546,977)
Net change in funds held in trust	-	(36,867)
Decrease in short-term notes payable	(8,001,379)	-
Increase (decrease) in long-term debt (net)	(15,103,777)	9,871,875
Decrease in obligation under capital lease	-	(360,000)
Increase in capital fund	1,373,807	90,207
Transfer of contributed surplus	(1,173,998)	-
	(23,638,418)	11,590,873
Investing activities		
Purchase of property and equipment - net	(324,052)	(697,277)
Reductions of and proceeds on disposal of property and equipment	241,823	2,705,826
Additions to and purchase of property holdings	(1,283,489)	(1,945,000)
Reductions of and proceeds on disposal of property holdings	-	1,035,856
Decrease in investment in private companies	339,278	854,396
Decrease (increase) in loans receivable (net)	20,559,795	(13,482,671)
Decrease in net investment in lease (net)	564,421	11,173
	20,097,776	(11,517,697)
Increase (decrease) in net cash and short-term investments and funds held in trust	(4,552,988)	7,582,080
Net cash and short-term investments and funds held in trust - Beginning of year	9,634,414	2,052,334
Net cash and short-term investments and funds held in trust - End of year	5,081,426	9,634,414
Net cash and short-term investments and funds held in trust consists of:		
Cash and short-term investments	5,267,637	9,696,836
Bank advances	(186,211)	(62,422)
	5,081,426	9,634,414
Supplementary disclosure		
Interest and dividends received	2,059,233	2,368,756
Interest paid	2,092,530	2,376,952

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

1 Status of the Corporation

Prince Edward Island Business Development Inc. (the "Corporation") is a Crown corporation established under the Prince Edward Island Business Development Inc. Act. Its financial results are included in the public accounts of the Province of Prince Edward Island.

2 Summary of significant accounting policies

a) General

These consolidated financial statements include the accounts of the wholly-owned subsidiaries, F.T.C. Enterprises Limited, Environmental Industrial Services Inc., Atlantic Technology Centre Inc. and 100417 P.E.I. Inc. all having March 31, 2009 year ends.

b) Differential reporting options

The Corporation, with the unanimous consent of its shareholder, the Province of Prince Edward Island, has elected to prepare its financial statements in accordance with Canadian generally accepted accounting principles using the differential reporting options available to non-publicly accountable enterprises described below:

Investment subject to significant influence

The Corporation has elected to use the cost method to account for its investment in Slemon Park Corporation. Slemon Park Corporation is subject to significant influence and would otherwise be accounted for using the equity method accounting. The investment is included in investment in non-marketable securities as disclosed in note 6.

In addition, the Corporation has applied the following significant accounting policies without reference to differential reporting.

c) Due from the Province of Prince Edward Island

i) Current operations

Operating grant – Province of Prince Edward Island is the balance due (to) from the Province for grants received that are less than (in excess of) expenditures incurred in the current year.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

ii) Allowance for possible credit losses

The annual allowance for possible credit losses (expense or recovery) is recorded as the current year's allowance for possible losses expense in the amount "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" in note 4. The "Due from the Province of Prince Edward Island – Allowance for Possible Credit Losses" is reduced when a write-off is recognized by both Prince Edward Island Business Development Inc. and the Province, with notes payable reduced correspondingly. The allowance for possible losses is also reduced by any payment received from the Province on the allowance for possible losses for guarantees.

d) Loans receivable

Working capital and craft loans are recorded at amortized cost less an allowance for possible losses.

Long-term loans are recorded at amortized cost less an allowance for possible losses.

An impaired loan is a loan where in management's opinion there is no longer reasonable assurance as to the timely collection of the full amount of principal and interest.

e) Allowance for possible losses

An allowance for possible losses is maintained which is considered adequate to absorb all credit and investment related losses and off-balance sheet items including guarantees. The allowance is deducted from the applicable asset on the balance sheet, except for guarantees. The allowance for guarantees is included in accounts payable for Entrepreneurial Loan Program guarantees and as a provision for payment of loan guarantees on the balance sheet for the remaining guarantees allowance.

The allowance consists of specific and general provisions.

Specific provisions include the accumulated allowances for losses on particular assets required to reduce the book values to estimated realizable amounts. Specific provisions total \$5,614,110 (2008 - \$3,513,871). The accumulated allowances for losses on specific off-balance sheet items total \$14,888,341 (2008 - \$17,158,620). Of this total, \$103,680 (2008 - \$106,387) is included in accounts payable and accrued liabilities, and \$14,784,661 (2008 - \$17,052,233) is recorded as provision for payment of guarantees.

The Corporation does not accrue interest on a loan receivable once a specific provision has been recorded against the loan.

The Corporation reviews its loans portfolio, investments and advances, leased property and property holdings and guarantees on an ongoing basis to assess whether an allowance or write-off is required.

A variety of methods are used to determine the amount expected to be recovered from investments in and advances to private companies and property holdings, including estimated future cash flows and the estimated fair value of the underlying security and value of any collateral security taken.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

A general provision of \$3,681,128 (2008 - \$1,018,979) includes accumulated allowances for losses which are prudential in nature and cannot be specifically identified. The general provision is based on past performance of similar assets, the level of the specific provision, management's judgment, the economic climate and the maturity and financial strength of the investee.

f) Investment in private companies

Investment in private companies, except for four preferred share investments not considered to be concessionary, are recorded at one-half of cost. An expense of 50% is charged to development programs when the funds are invested. The remaining cost is reduced by any applicable allowance for possible losses. Any recovery exceeding the balance in share investment is taken into revenue when received.

The four investments in preferred shares of private companies that are not being carried at one-half of their cost are being carried at the lower of cost and estimated realizable value.

Investment in private companies are reviewed annually for potential declines in value and are written down or an allowance is recorded if a decline in value is considered evident. Write downs are included in development programs expense.

It is not practical within constraints of timeliness and cost to determine the fair value of the investment in private companies as these investments are in closely held private companies that have no organized financial market. The estimated realizable value of these investments and advances is based on expected future cash flows.

g) Property holdings, property and equipment and amortization

i) Property holdings

Property holdings are reported at the lower of cost and estimated realizable value.

Land improvements, buildings and mills, industrial sites buildings and equipment held for resale and the test cell are amortized using the straight-line method at the rates indicated in note 7.

Proceeds on the sale of industrial sites are recorded as a reduction in the carrying value of the asset.

ii) Property and equipment

Buildings, equipment, computer hardware and software, waste treatment facility and land improvements are amortized using the straight-line method at annual rates as indicated in note 8.

A full year's amortization is recorded in the year of acquisition.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

iii) Estimated realizable value

Estimated realizable value for industrial sites is the expected proceeds on resale and for industrial malls it is the property tax assessed value.

Estimated realizable value for land, buildings and equipment held for resale or under lease purchase options is its property tax assessed value.

Estimated realizable value for the test cell is the net cost to construct the asset supported by a payment under a long-term lease agreement.

Any reduction from cost to estimated realizable value is recorded as a provision for possible losses.

h) Net investment in leases

The Corporation's subsidiaries accumulate costs of constructing assets, that are to be classified as capital leases, as assets under capital lease, and the related grants are considered deferred credits until the lease term begins. When the lease term begins, the assets under capital lease and deferred credits are removed from the balance sheet and a net investment in leases recorded. The net investment in leases represents the net present value of the minimum lease payments receivable over the term of the lease plus the purchase option.

i) Programs assistance payable

Provincially funded non-cost shared program assistance is expensed and included in accrued liabilities when approved and accepted. Federal-Provincial cost shared programs are expensed when the funds are disbursed. Infrastructure assistance requiring future performance criteria is expensed when the funds are disbursed. Certain infrastructure assistance approved and not disbursed at year end is recorded as deferred charges.

j) Post retirement benefits

The Corporation provides retirement benefits to eligible employees. The benefit is based on one week's salary per year of service to a maximum of 26 weeks and is expensed on an accrual basis.

k) Employee pension plan

Most of the Corporation's staff are members of the Province of Prince Edward Island pension plan. Pension obligations are liabilities of the Province and not the Corporation and no liability for these costs has been accrued by the Corporation at March 31, 2009.

l) Deferred credits

Prince Edward Island Business Development Inc. and its subsidiaries have adopted the policy that contributions received towards the acquisition of property and equipment will be recorded as deferred credits and amortized to earnings on the same basis as the related property and equipment are amortized. Contributions received and not spent on capital assets at year end are recorded as deferred contributions.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

m) Revenue recognition

Prince Edward Island Business Development Inc. subsidiaries follow the percentage-of-completion method of accounting for revenue and expenditures on project contracts. The percentage-of-completion method records the organization's revenue based on the expenditures incurred and work completed on each contract in progress as at the balance sheet date. Unearned revenue is recorded as deferred revenue.

In Atlantic Technology Centre Inc., long-term rental and common area revenue are recognized on a monthly basis in accordance with lease agreements. Short-term rentals are recognized when the space has been provided to customers.

Revenues and earnings from rents, retail sales and utility user fees are recorded when collection is reasonably assured and all other significant conditions of service are met.

Interest accrued on loans is recognized as revenue in the period earned except where a loan is classified as impaired. Interest earned on an impaired loan is recognized as revenue only when it has been received.

Grants from the Province of Prince Edward Island and investment income are recorded in the period earned.

n) Film and new media investments

Investments made under the film and new media equity investments program are recorded as an expense under development programs when approved and accepted by the client. Revenue received as a recovery of those investments based on a percentage of income or under royalty agreements is recorded as revenue in the period received.

o) Management estimates

The presentation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reported period. Actual results could differ from those estimates.

p) Financial instruments

The Corporation's financial instruments consist of cash and short-term investments, accounts receivable, loans receivable, investment in private companies, investment in leases, bank advances, accounts payable and accrued liabilities, short-term note payable, provision for payment of guarantees and long-term debt. They are classified as follows:

Loans receivable and investment in leases have been classified as "loans and receivables" and are recorded at amortized cost using the effective interest rate method.

Investment in private companies have been classified as "available for sale". As there are no publicly quoted market values for the investments, the fair value is estimated based on expected future cash flows.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

Notes payable and long-term debt are recorded at amortized cost using the effective interest method.

Due to their short-term nature, all other financial instruments are considered to be carried at amounts which approximate their fair value.

The Corporation does not enter into financial hedging activities and does not engage in derivative transactions.

q) Financial risk management objectives and policies

The Corporation's risk management policies are part of the overall management of the entity's operations. Management's direct involvement in day-to-day operations identifies risks and variations from expectations leading to changes in risk management activities, requirements and actions. As part of the overall management of the entity's operations management considers avoidance of undue concentrations of risk, and employs appropriate investment and credit management policies to manage the Corporation's exposure.

3 Accounts receivable

The accounts receivable have been reduced by an allowance for possible losses of \$196,907 (2008 - \$165,288).

4 Due from the Province of Prince Edward Island

	2009 \$	2008 \$
Current operations		
Operating grant - Province of Prince Edward Island	1,978,354	2,138,897
Allowance for possible credit losses		
Balance - beginning of year	21,585,077	14,860,006
Current year's allowance for possible losses expense	3,837,997	6,725,071
Current year write-offs	(1,343,183)	-
	24,079,891	21,585,077
Balance - End of year	26,058,245	23,723,974

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

5 Loans receivable

	2009				2008	
	Total \$	Impaired loans included in total \$	Allowance for possible losses General \$	Allowance for possible losses Specific \$	Net \$	Net \$
Working capital and craft loans	5,018,300	3,293,424	658,953	2,216,723	2,142,624	18,339,749
Long-term loans						
Shipbuilding/shipping	18,732,203	46,491	1,905,062	10,000	16,817,141	21,085,712
Manufacturing and processing	2,959,430	2,562,180	838,446	1,499,651	621,333	149,130
Tourism	110,000	75,000	42,207	-	67,793	177,212
Small business	1,181,880	1,114,157	207,551	626,972	347,357	686,845
Other	58,801	-	28,909	-	29,892	147,287
	23,042,314	3,797,828	3,022,175	2,136,623	17,883,516	22,246,186
Total Loans Receivable	28,060,614	7,091,252	3,681,128	4,353,346	20,026,140	40,585,935
Less: loans due within the next fiscal year	9,600,842	-	1,176,148	3,076,041	5,348,653	18,347,936
	18,459,772	7,091,252	2,504,980	1,277,305	14,677,487	22,237,999

Working capital and craft loans are due on demand and bear interest at rates ranging from 3% to 9.25% and are repayable within the next fiscal year.

Long-term loans are issued at long-term interest rates and are repayable over various terms to a maximum of 11 years with interest rates ranging from 3% to 8.5%.

The Corporation has invested 67% (2008 - 73%) of its loan receivable portfolio in the shipbuilding, shipping sector with one Corporation, representing a significant concentration of credit risk in the loans receivable portfolio.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

	2009 \$	2008 \$
<i>Continuity of allowance for possible losses</i>		
Allowance for possible losses - Beginning of year	3,345,807	2,437,080
Add: Provision recorded during the year	3,699,117	908,727
Provision transferred from guarantees	989,550	-
Allowance for possible losses - End of year	8,034,474	3,345,807

6 Investment in private companies

	2009 \$	2008 \$
Investment in private companies		
Small Business and Venture Capital Equity Program investments	469,480	555,028
Less: Allowance for possible losses	(461,764)	(431,034)
	7,716	123,994
 56,000 common shares of Slemon Park Corporation at cost	 1	 1
Investment in preferred shares of private companies	2,012,811	2,192,811
Less: Allowance for possible losses	(799,000)	(756,000)
	1,213,812	1,436,812
	1,221,528	1,560,806

Of the preferred shares in private companies, \$50,000 are to be redeemed by the issuer at the rate of \$10,000 per year, starting in 2008.

	2009 \$	2008 \$
<i>Continuity of allowance for possible losses</i>		
Allowance for possible losses - Beginning of year	1,187,034	622,000
Add: Provision recorded during the year	73,730	565,034
Allowance for possible losses - End of year	1,260,764	1,187,034

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

7 Property holdings

				2009	2008
	Amortization rate %	Cost \$	Accumulated amortization \$	Net \$	Net \$
Prince Edward Island Business Development Inc.					
Land		981,500	-	981,500	981,500
Land improvements	10 S.L.	44,765	35,813	8,952	13,428
Buildings and malls	4 - S.L.	4,472,816	3,323,923	1,148,893	1,160,239
Land, buildings and equipment held for resale or under lease purchase options	7 - S.L.	4,484,789	1,358,020	3,126,769	3,153,094
Industrial sites	7 - S.L.	11,061,141	8,278,153	2,782,988	2,281,590
Test cell	5 - S.L.	4,937,000	1,578,003	3,358,997	3,605,849
		25,982,011	14,573,912	11,408,099	11,195,700

Included in land, buildings and equipment held for resale or under lease purchase options is land of \$1,157,766 (2008 - \$1,316,302).

Included in industrial sites is land of \$369,000 (2008 - \$263,360).

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

8 Property and equipment

				2009	2008
	Amortization rate %	Cost \$	Accumulated amortization \$	Net \$	Net \$
F.T.C. Enterprises Limited					
Buildings	5 - 25 SL	2,901,591	2,553,273	348,318	301,510
AIF Building	25 SL	1,497,297	1,497,297	-	-
Pilot plant and laboratory equipment	10 - 25 SL	3,161,738	2,675,121	486,617	547,746
Computer and audio visual equipment	33 1/3 SL	492,812	492,812	-	-
Furniture and equipment	20 SL	171,779	171,779	-	-
AIF equipment	25 SL	1,863,416	1,863,416	-	-
		10,088,633	9,253,698	834,935	849,256
Environmental Industrial Services Inc.					
Waste water treatment facility	3.33 SL	450,938	15,016	435,922	671,624
		450,938	15,016	435,922	671,624
Atlantic Technology Centre Inc.					
Land		1,691,916	-	1,691,916	2,391,916
Land improvements	10 SL	63,596	43,210	20,386	30,150
Building	2.5 SL	16,577,072	3,004,458	13,572,614	16,282,206
Furniture and fixtures	20 SL	313,273	313,273	-	-
Computer hardware	33 1/3 SL	1,501,681	1,490,113	11,568	19,401
Computer software	100 SL	61,600	61,600	-	-
		20,209,138	4,912,654	15,296,484	18,723,673
		30,748,709	14,181,368	16,567,341	20,244,553

SL = Straight line

9 Net investment in leases

The net investment in leases represents the minimum lease payments receivable over the term of the lease plus purchase options receivable recorded at net present value. The net investment in leases consists of the following:

Prince Edward Island Business Development Inc.

- a) The net investment in lease represents the purchase option receivable from the lessee, due July 1, 2015.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

The net investment in lease is recorded at the net present value of the total lease payments using a discount rate of 5.5%, calculated as follows:

	2009 \$	2008 \$
Total of lease payments to be received to July 1, 2015	1,000,030	1,000,030
Less: Portion representing interest at 5.5%	(258,000)	(301,000)
Net present value of net investment in lease	742,030	699,030
b) Total minimum lease payments on capital lease on building	-	708,215
Less: Portion representing interest at 4%	-	(143,794)
Net present value of net investment in lease	-	564,421
Less: Current portion	-	(29,916)
	-	534,505
	742,030	1,233,535

10 Short-term notes payable

	2009 \$	2008 \$
Demand note payable to Island Investment Development Inc.	6,998,621	15,000,000

During the 2007 year, the Corporation entered into an agreement with Island Investment Development Inc., a provincial Crown corporation, to obtain a \$15,000,000 revolving line of credit. The balance of the line of credit at March 31, 2009 is \$6,998,621 (2008 - \$15,000,000). Interest is charged monthly at a rate equal to the Department of Provincial Treasury of Prince Edward Island's short-term lending rate and the total amount is repayable on demand.

The demand note is secured by a promissory note for \$15,000,000 and a revolving credit agreement.

Interest paid by Prince Edward Island Business Development Inc. and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest for 2009 in the amount of \$583,198 (2008 - \$670,078).

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

11 Notes payable and long-term debt

	2009 \$	2008 \$
4.00% note payable, due January 2012, repayable \$11,249 monthly including principal and interest	556,846	564,420
4.00% note payable, due January 2013, repayable \$12,595 monthly including principal and interest	1,430,499	1,500,000
4.00% note payable, due March 2015 with interest to be paid quarterly and principal due at maturity	3,943,343	6,085,712
5.33% note payable, repayable in monthly payments including principal and interest of various amounts ranging from \$31,062 to \$190,104, maturing March 2015	10,486,695	10,887,028
6.62% Bank of Nova Scotia mortgage, repayable \$40,333 monthly plus interest, maturing August 2017	8,913,667	9,397,667
4.00% note payable, due October 2008, repaid during the year	-	12,000,000
	25,331,050	40,434,827
Less: Current portion	4,272,621	15,399,701
	21,058,429	25,035,126

The 4.00% notes are payable to Island Investment Development Inc., a provincial Crown corporation.

The 5.33% note payable is issued to the Province of Prince Edward Island.

The 6.62% Bank of Nova Scotia mortgage, which is secured by a full guarantee provided by the Province of Prince Edward Island.

The notes payable are unsecured.

The aggregate amount of principal payments required in each of the next five years to meet retirement provisions is as follows:

	\$
Year ending March 31, 2010	4,272,621
2011	3,333,001
2012	2,537,390
2013	3,649,421
2014	2,603,101

Interest paid by Prince Edward Island Business Development Inc. and its subsidiaries are included in the expenditure category to which it relates. Included in expenses is interest for 2009 in the amount of \$1,255,147 (2008 - \$1,728,780).

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

12 Deferred credits

			2009	2008
	Cost \$	Accumulated amortization \$	Net \$	Net \$
F.T.C. Enterprises Limited				
Buildings	2,901,591	2,553,273	348,318	1,095,776
Pilot plant and laboratory equipment	3,161,738	2,675,121	486,617	965,908
	6,063,329	5,228,394	834,935	2,061,684
Environmental Industrial Services Inc.				
Waste water treatment facility	445,704	14,842	430,862	429,803
	445,704	14,842	430,862	429,803
Atlantic Technology Centre Inc.				
Building	6,861,000	1,096,501	5,764,499	5,936,028
Furniture and fixtures	313,273	313,273	-	-
Computer hardware	1,424,927	1,424,927	-	-
Computer software	50,800	50,800	-	-
	8,650,000	2,885,501	5,764,499	5,936,028
Prince Edward Island Business Development Inc.				
Industrial sites	8,715,906	7,688,577	1,027,329	1,434,129
	23,874,939	15,817,314	8,057,625	9,861,644

13 Capital fund

One of the subsidiaries has received funding to offset the cost of acquiring property and equipment. When the funds are expended to acquire the property and equipment, the capital fund balance will be reallocated to deferred credits.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

14 Contingent liabilities

- a) The Corporation is contingently liable under loan guarantees at March 31 as follows:

	2009 \$	2008 \$
Loan guarantees	1,988,807	5,053,696
Provision for possible payment - loan guarantees	79,661	1,908,233
Lease indemnification guarantee - net present value of indemnified payments	14,705,000	1,514,000
Provision for possible payment - lease guarantee	14,705,000	1,514,000
Total provision for possible payment - loan and lease guarantees	14,784,661	1,514,000
	2009 \$	2008 \$
<i>Continuity of allowance for possible losses</i>		
Allowance for possible losses - Beginning of year	17,052,233	11,800,918
Add: Provision recorded during the year	65,158	5,251,315
Less: Provision transferred to loans receivable	(989,550)	-
Current year payment	(1,343,180)	-
Allowance for possible losses - End of year	14,784,661	17,052,233

The provision for possible payment for the loan guarantees is included in the overall allowance for possible losses.

The Corporation is also contingently liable under entrepreneur loan program guarantees of \$724,532 (2008 - \$705,244) for which a provision for possible losses of \$103,680 (2008 - \$106,387) has been included in accounts payable and accrued liabilities.

The guarantees are secured by various assets and proceeds from liquidation are expected to cover the net carrying amount of the guarantees.

Related party amounts

Included in loan guarantees is a guarantee of a term loan in the amount of \$1,843,728 (2008 - \$1,968,733) provided to Slemon Park Corporation, which is controlled by a wholly-owned subsidiary of Prince Edward Island Business Development Inc.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

- b) The Corporation, along with other parties, has been named in a claim by a private company seeking general and aggravated damages and special damages in the amount of \$11,187,345, plus other unspecified damages and costs. It is management's opinion that a liability, if any, is unlikely and undeterminable at this time and no provision has been made in the accounts for future possible losses related to this claim.
- c) Prince Edward Island Business Development Inc. has been named in a legal action filed by a private company seeking unspecified damages. Management believes this claim is completely without foundation and that the liability resulting from this claim, if any, is unlikely at this time and, accordingly, no provision has been recorded in the accounts for future possible losses.

15 Commitments

- a) F.T.C. Enterprises Limited has entered into a twenty-five year lease expiring November 2013 with the University of Prince Edward Island for the land upon which the Corporation constructed its facilities. The lease cost is \$1 per year and is renewable for a further term of twenty-five years for the same annual consideration.
- b) Loans approved by Prince Edward Island Business Development Inc. but not disbursed at March 31, 2009 total \$1,279,029 (2008 - \$1,089,707).
- c) The Corporation has committed to fund the building and equipment lease obligations and the waste water treatment costs of Atlantic Beef Products Inc. (ABP) for a 36-month period commencing December 1, 2007. This commitment also extends to certain leasehold improvements which are being repaid monthly by ABP.

The Corporation's commitment to the lease and waste water expense will total approximately \$138,500 per month. The Corporation's commitment for leasehold improvements is \$154,827.

16 Operating agreements

Environmental Industrial Services Inc. has agreements with McCain Foods Limited and Irving Pulp & Paper Limited to operate wastewater treatment facilities to extend to December 2010 and 2011, respectively, and stipulate that the companies shall pay Environmental Industrial Services Inc. a user fee equal to the operating costs of the facilities excluding interest and amortization charges. The companies pay these operating costs directly and accordingly a user fee has not been charged by Environmental Industrial Services Inc.

Environmental Industrial Services Inc. is responsible for operating the Brudenell and Crowbush Water and Sewer Utilities on behalf of the Province of Prince Edward Island. Environmental Industrial Services Inc. pays the operating costs of the Utility and recovers these costs from the users of the utility on a pro-rata basis based on usage.

During the year, the Corporation recovered nil (2008 - \$2,107) in costs from related parties, Tourism PEI and Golf Links Prince Edward Island. Tourism PEI is a provincial Crown corporation and Golf Links Prince Edward Island Inc. is a subsidiary of Tourism PEI.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

17 Related party transactions

Balance sheet

Accounts receivable

Included in accounts receivable is \$294,642 (2008 - \$252,370) due from the Province of Prince Edward Island and \$1,731,565 (2008 - \$105,234) due from related companies.

Property and equipment

The Province of Prince Edward Island conveys land to the Corporation periodically to be used for development purposes. The exchange and carrying amounts of land when transferred into the Corporation is nil.

Accounts payable

Included in accounts payable and accrued liabilities is nil (2008 - \$93,522) payable to the Province of Prince Edward Island, and nil (2008 - \$42,951) due to related companies.

Deferred credits

During the year, F.T.C. Enterprises Limited received grants of nil (2008 - \$496,500) from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as deferred credits and included in program expenditures for the year. These amounts have not been eliminated on consolidation.

The cumulative total received by Atlantic Technology Centre Inc. from Prince Edward Island Business Development Inc. to March 31, 2009 in grants to fund capital asset acquisitions was \$4,150,000 (2008 - \$4,150,000). These grants are included in deferred credits. These amounts have not been eliminated on consolidation.

Contributed surplus

Gateway Village Development Inc. and F.T.C. Enterprises Limited received a cumulative total of \$1,540,037 in funds from the Province of Prince Edward Island through Prince Edward Island Business Development Inc. that have been accounted for as contributed surplus. This contribution has not been eliminated on consolidation.

During the year, Gateway Village Development Inc. dividdened its net assets in the amount of \$1,283,012 to Prince Edward Island Business Development Inc. prior to the surrender of its charter. The dividend was recorded as investment income by Prince Edward Island Business Development Inc. The Gateway Village Development Inc. deficit that arose as a result of the dividend to Prince Edward Island Business Development Inc. was offset by a transfer of the \$1,173,998 balance of contributed surplus. This transfer has not been eliminated on consolidation.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

Statement of revenue and expenditures

Management fees

During the year, management fees of \$450,000 (2008 - \$250,000) were received from Island Investment Development Inc. and recorded as a reduction in operating expenditures. Included in grants from related parties is \$1,400,000 (2008 - nil) received from Island Investment Development Inc.

Development programs

Included in development programs is \$31,500 (2008 - nil) in expenses to other Crown corporations.

Interest expense

Included in expenditures is \$622,556 (2008 - \$663,302) in interest paid to the Province of Prince Edward Island.

Included in expenditures is nil (2008 - \$191,671) in interest paid to a subsidiary of a provincial Crown corporation and \$839,315 (2008 - \$848,447) in interest paid to a provincial Crown corporation.

Other

During the year, Environmental Industrial Services Inc. transferred property and equipment to Prince Edward Island Business Development Inc. at a net book value of \$241,821. This transaction was recorded in the normal course of operations and measured on the same terms as transactions with unrelated parties.

The Corporation provides office premises to Tourism PEI for nil consideration.

The Corporation rents land for the annual amount of \$2,120 plus applicable taxes from Slemon Park Corporation under a fifty-year lease agreement, effective for the term September 28, 2001 to September 28, 2051.

100417 P.E.I. Inc., a wholly-owned subsidiary of Prince Edward Island Business Development Inc., owns 56% of the common shares of Slemon Park Corporation.

18 Comparative figures

Certain 2008 comparative figures have been restated to conform with the financial statement presentation adopted in the current year.

Prince Edward Island Business Development Inc.

Notes to Consolidated Financial Statements

March 31, 2009

19 Interest rate risk

The following table sets out assets and liabilities on the earlier of contractual maturity or repricing date. Use of the table to derive information about the Corporation's interest rate risk position is limited by the fact that certain borrowers may choose to terminate their financial instruments at a date earlier than contractual maturity or repricing dates. For example, notes receivable are shown at contractual maturity but certain notes could prepay earlier.

	Under 1 year \$	Over 1 to 5 years \$	Over 5 years \$	Not interest rate sensitive \$	Total \$
Assets					
Cash and short-term investments	4,517,637	750,000	-	-	5,267,637
Accounts receivable	-	-	-	3,295,903	3,295,903
Prepaid expenses	-	-	-	19,247	19,247
Loans receivable (net of allowance for losses)	5,348,653	13,974,940	702,547	-	20,026,140
Effective interest rate	5.06%	6.45%	6.44%		
Due from the Province of Prince Edward Island	-	-	-	26,058,245	26,058,245
Investment in non-marketable securities	167,885	473,940	571,385	8,318	1,221,528
Effective interest rate	2.24%	2.24%	1.16%		
Property holdings	-	-	-	11,408,099	11,408,099
Property and equipment	-	-	-	16,567,341	16,567,341
Net investment in leases	-	-	-	742,030	742,030
Total assets	10,034,175	15,198,880	1,273,932	58,099,183	84,606,170
Liabilities and equity					
Demand loan	-	-	-	186,211	186,211
Short-term notes payable	6,998,621	-	-	-	6,998,621
Effective interest rate	4.00%				
Accounts payable and accrued liabilities	-	-	-	26,748,076	26,748,076
Provision for payment of guarantees	-	-	-	14,784,661	14,784,661
Deferred revenue	-	-	-	277,253	277,253
Progress billing in excess of work-in-progress	-	-	-	-	-
Notes payable and long-term debt	4,272,621	18,359,437	2,698,992	-	25,331,050
Effective interest rate	4.12%	5.04%	6.09%		
Capital fund	-	-	-	1,624,537	1,624,537
Deferred credits	-	-	-	8,057,625	8,057,625
Reserve for future expenditures	-	-	-	-	-
Contributed surplus	-	-	-	366,039	366,039
Retained earnings	-	-	-	232,097	232,097
Total liabilities and deficit	11,271,242	18,359,437	2,698,992	52,276,499	84,606,170
Interest rate sensitivity gap	(1,237,067)	(3,160,557)	(1,425,060)	5,822,684	-